

HARDIN COUNTY

Independent Auditors' Reports Basic Financial Statements and Supplementary Information Schedule of Findings and Questioned Costs

June 30, 2007

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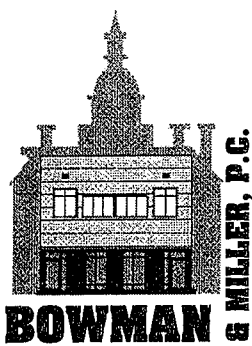
Hardin County Officials

(Before January 2007)

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Jim Johnson	Board of Supervisors	January 2009
Ed Bear	Board of Supervisors	January 2007
Ervin Miller	Board of Supervisors	January 2007
Renee McClellan	County Auditor	January 2009
Glena Nolting	County Treasurer	January 2007
Steven A. Pence	County Recorder	January 2007
Tim Smith	County Sheriff	January 2009
Randall Tilton	County Attorney	January 2007
Don Knoell	County Assessor	January 2007

(After January 2007)

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Jim Johnson	Board of Supervisors	January 2009
Ed Bear	Board of Supervisors	January 2011
Ervin Miller	Board of Supervisors	January 2011
Renee McClellan	County Auditor	January 2009
Glena Nolting	County Treasurer	January 2011
Barbara Nuss	County Recorder	January 2011
Tim Smith	County Sheriff	January 2009
Randall Tilton	County Attorney	January 2011
Don Knoell	County Assessor	January 2011



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Independent Auditors' Report

To the Officials of Hardin County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hardin County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Hardin County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Hardin County at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2007 on our consideration of Hardin County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 40 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hardin County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bowman and Miller, P.C.

December 12, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Hardin County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 12%, or approximately \$1.9 million from 2006 to 2007. Property tax revenues increased approximately \$553,000, operating grants and contributions increased approximately \$5,600, capital grants and contributions decreased approximately \$1.9 million and charges for service decreased approximately \$227,000.
- Program expenses were 1.9%, or approximately \$258,000, less in 2007 than in 2006. County environment and education expenses decreased approximately \$189,000 and interest on long-term debt decreased approximately \$44,000.
- The County's net assets increased 1.9%, or approximately \$372,000, from June 30, 2006 to June 30, 2007.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Hardin County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Hardin County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Hardin County acts solely as an agent or custodian for the benefit of those outside of the government (Agency Funds).

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements of the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds account for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Hardin County's combined net assets increased from \$19.9 million to \$20.3 million. The analysis that follows focuses on the changes in net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)

	June 30,	
	2007	2006
Current and other assets	\$ 13,096	12,065
Capital assets	19,452	20,122
Total assets	32,548	32,187
Long-term liabilities	5,556	5,870
Other liabilities	6,739	6,436
Total liabilities	12,295	12,306
Net assets:		
Invested in capital assets, net of related debt	14,232	14,572
Restricted	3,862	3,124
Unrestricted	2,159	2,185
Total net assets	\$ 20,253	19,881

Net assets of Hardin County's governmental activities increased by 1.9 percent (\$20.3 million compared to \$19.9 million). The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – remained virtually unchanged from 2006 to 2007.

Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2007	2006
Revenues:		
Program revenues:		
Charges for service	\$ 2,815,859	3,043,144
Operating grants, contributions and restricted interest	4,021,875	4,016,268
Capital grants, contributions and restricted interest	261,418	2,120,255
General revenues:		
Property tax	5,128,711	4,576,131
Interest and penalty on property tax	55,844	55,302
State tax credits	279,064	274,733
Local option sales tax	698,188	633,861
Grants and contributions not restricted to a specific purpose	9,138	385
Unrestricted investment earnings	288,506	176,940
Other general revenues	54,582	579,887
Total revenues	<u>13,613,185</u>	<u>15,476,906</u>
Program expenses:		
Public safety and legal services	3,093,527	2,899,018
Physical health and social services	290,905	281,686
Mental health	1,871,581	1,795,425
County environment and education	820,063	1,009,048
Roads and transportation	4,987,285	4,963,894
Governmental services to residents	382,063	379,828
Administration	1,464,903	1,210,515
Non-program	78,542	663,961
Interest on long-term debt	252,656	296,368
Total expenses	<u>13,241,525</u>	<u>13,499,743</u>
Increase in net assets	<u>\$ 371,660</u>	<u>1,977,163</u>

The County's total revenues decreased 12%. The total cost of all programs and services decreased by 1.9%. Capital grants and contributions decreased due to farm to market funds received by the County in 2006 to complete road and bridge projects that were not received in 2007.

The cost of all governmental activities this year was \$13.2 million compared to \$13.5 million last year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$6.1 million because some of the cost was paid by those who directly benefited from the programs (\$2.8 million) or by other governments and organizations that subsidized certain programs with contributions and grants (\$4.3 million). Overall the County's governmental program revenues, including intergovernmental aid and fees for services decreased. The County received \$1.4 million in farm to market funds in 2006 to fund two large bridge and road projects. The County paid the remaining "public benefit" portion of governmental activities with approximately \$5,827,000 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements. General revenues increased due to an increase in the taxable valuation of land in the County and an increase interest rate on investments. The County Environment and Education Program decreased due to expenditures related to the Housing Rehabilitation Grant, which had \$67,000 fewer expenses in 2007 than 2006.

INDIVIDUAL MAJOR FUND ANALYSIS

As Hardin County completed the year, its governmental funds reported a combined fund balance of \$5.4 million, which is approximately \$500,000 more than last year's total of \$4.9 million. The following are the major reasons for the changes in fund balances from the prior year:

- General Fund's ending fund balance increased approximately \$270,000 from the prior year. Revenues increased primarily due to an increase in interest rates on investments and an increase in amounts received from other governmental agencies for the care of prisoners.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,875,000, an increase of 3.9% from the prior year. The Mental Health Fund balance at year end decreased by approximately \$34,000 to approximately \$180,000.
- Secondary Roads Fund revenues remained virtually unchanged from the prior year. Expenditures decreased approximately \$182,000 due to fewer dollars being expended for road and bridge construction. The amount that the County transferred from the Rural Services and General Funds increased by approximately \$289,000. These changes resulted in an increase in the Secondary Roads Fund ending balance of approximately \$93,000.

There was no significant change in the Debt Service Fund balance or the Capital Projects Fund balance.

BUDGETARY HIGHLIGHTS

Over the course of the year, Hardin County amended its budget two times. The first amendment was made on May 30, 2007 and the second amendment was made on June 27, 2007. These amendments were made to provide for additional expenditures in certain County departments.

Even with these amendments, the County exceeded the budgeted amount in the mental health and roads and transportation functions for the year ended June 30, 2007.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, Hardin County had approximately \$38 million invested in a broad range of capital assets, including public safety equipment, buildings, and roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$386,000, or 1% percent over last year.

Capital Assets of Governmental Activities at Year End
(Expressed in thousands)

	June 30,	
	2007	2006
Land	\$ 528	515
Construction in progress	298	1,411
Buildings and improvements	9,157	9,157
Machinery and equipment	6,136	6,062
Infrastructure	22,266	20,854
Totals	<u>\$ 38,385</u>	<u>37,999</u>

This year's major additions included (in thousands):

Wireless network link	\$ 41
Sheriff's vehicles	73
Secondary Road motor grader	163
Roadway construction and bridge replacement	34
Total	<u>\$ 311</u>

The County had depreciation expense of \$1,310,696 for the year ended June 30, 2007.

The County's fiscal year 2007 capital budget included \$977,900 for capital projects, primarily for the continued upgrading of secondary roads and bridges. The County has no plans to issue additional debt to finance these projects. Rather, the County will use resources on hand in the County's fund balances. More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

Long-Term Debt

At June 30, 2007, the County had approximately \$5,556,000 in bonds and other debt compared to approximately \$5,870,000 at June 30, 2006, as shown below.

Outstanding Debt of Governmental Activities at Year-End

	June 30,	
	2007	2006
General obligation bonds	\$ 5,220,000	5,550,000
Drainage warrants	15,742	12,519
Compensated absences	319,925	307,029
Totals	<u>\$ 5,555,667</u>	<u>5,869,548</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$36 million limit. Compensated absences include accrued vacation pay. More detailed information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In preparation for the FY 2008 county budget, elected and appointed officials in Hardin County considered many factors when determining the tax rates, fee schedules, and related revenue and expense forecasts. Factors such as the economy, taxable valuation figures, population growth and age mix, state mandates, local needs, and many other items are evaluated.

The County anticipates some increases in total assessed valuations due to continued expansion of value-added agriculture enterprises, such as bio diesel and ethanol plants; improved productivity of agriculture; and some residential property increases. However, rollback factors may off-set some of these increases.

The County continues to seek ways to improve efficiency by sharing programs and personnel with other counties and increasing revenues through user fees, grants, and contracts rather than solely relying on property tax income. The County will also continue to use local option sales tax revenues and capital projects budgets for allowable expenses. Bonding will be necessary for selected items, such as an update of the County's communication system for emergency use.

The County's share of total property tax collections is about 20%. The remaining 80% of property tax collections are disbursed to the school districts, community colleges, city governments, townships, extension service, and other entities within the County.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Hardin County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Hardin County Courthouse, 1215 Edgington Avenue, Eldora, Iowa.

Hardin County
Statement of Net Assets
June 30, 2007

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 6,235,445
Receivables:	
Property tax:	
Delinquent	47,325
Succeeding year	5,546,129
Interest and penalty on property tax	60,138
Accounts	1,768
Accrued interest	20,937
Drainage assessments	84,245
Due from other governments	687,439
Inventories	412,439
Capital assets (net of accumulated depreciation)	19,452,462
Total assets	<u>32,548,327</u>
Liabilities	
Accounts payable	852,761
Accrued interest payable	48,563
Salaries and benefits payable	40,798
Due to other governments	251,420
Deferred revenue:	
Succeeding year property tax	5,546,129
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	350,000
Compensated absences	319,925
Portion due or payable after one year:	
General obligation bonds	4,870,000
Drainage warrants/drainage improvement certificates payable	15,742
Total liabilities	<u>12,295,338</u>
Net Assets	
Invested in capital assets, net of related debt	14,232,462
Restricted for:	
Supplemental levy purposes	474,097
Secondary roads purposes	520,444
Mental health purposes	160,778
Capital projects	650,849
Other purposes	2,055,151
Unrestricted	2,159,208
Total net assets	<u>\$ 20,252,989</u>

See notes to financial statements.

Hardin County
Statement of Activities
Year ended June 30, 2007

		Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses	Service		
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 3,093,527	2,155,776	3,900	-
Physical health and social services	290,905	18,482	41,797	-
Mental health	1,871,581	195,225	885,144	-
County environment and education	820,063	36,527	219,359	-
Roads and transportation	4,987,285	72,222	2,753,074	232,662
Governmental services to residents	382,063	318,452	757	1,990
Administration	1,464,903	10,445	117,844	-
Non-program	78,542	8,730	-	26,766
Interest on long-term debt	252,656	-	-	-
Total	<u>\$ 13,241,525</u>	<u>2,815,859</u>	<u>4,021,875</u>	<u>261,418</u>

General Revenues:

Property and other county tax levied for:
General purposes
Debt service
Tax increment financing
Interest and penalty on property tax
State tax credits
Local option sales tax
Grants and contributions not restricted to specific purpose
Unrestricted investment earnings
Miscellaneous
Total general revenues
Change in net assets
Net assets beginning of year
Net assets end of year

Net (Expense)
Revenue and
Changes
in Net Assets

(933,851)
(230,626)
(791,212)
(564,177)
(1,929,327)
(60,864)
(1,336,614)
(43,046)
(252,656)

(6,142,373)

4,886,647
55,004
187,060
55,844
279,064
698,188
9,138
288,506
54,582

6,514,033

371,660

19,881,329

\$ 20,252,989

Hardin County
Balance Sheet
Governmental Funds
June 30, 2007

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,844,739	407,377	564,930	558,380
Receivables:				
Property tax:				
Delinquent	30,647	7,741	4,905	-
Succeeding year	3,365,154	850,000	971,025	-
Interest and penalty on property tax	60,138	-	-	-
Accounts	553	835	-	380
Accrued interest	5,844	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	320,439	38,010	80,446	221,729
Inventories	-	-	-	412,439
Total assets	\$ 5,627,514	1,303,963	1,621,306	1,192,928
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	116,837	28,687	2,139	527,010
Salaries and benefits payable	14,620	862	2,623	22,693
Due to other governments	17,010	234,182	-	228
Deferred revenue:				
Succeeding year property tax	3,365,154	850,000	971,025	-
Other	90,533	10,671	4,884	-
Total liabilities	3,604,154	1,124,402	980,671	549,931
Fund balances:				
Reserved for:				
Supplemental levy purposes	474,097	-	-	-
Drainage warrants/drainage improvement certificates	-	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	1,549,263	-	-	-
Special revenue funds	-	179,561	640,635	642,997
Capital projects fund	-	-	-	-
Total fund balances	2,023,360	179,561	640,635	642,997
Total liabilities and fund balances	\$ 5,627,514	1,303,963	1,621,306	1,192,928

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
1,448	647,479	1,257,644	5,281,997
4,032	-	-	47,325
359,950	-	-	5,546,129
-	-	-	60,138
-	-	-	1,768
-	-	15,093	20,937
-	-	84,245	84,245
-	26,815	-	687,439
-	-	-	412,439
365,430	674,294	1,356,982	12,142,417

-	23,445	4,643	702,761
-	-	-	40,798
-	-	-	251,420
359,950	-	-	5,546,129
4,023	-	84,245	194,356
363,973	23,445	88,888	6,735,464

-	-	-	474,097
-	-	59,283	59,283
1,457	-	-	1,457
-	-	-	1,549,263
-	-	1,208,811	2,672,004
-	650,849	-	650,849
1,457	650,849	1,268,094	5,406,953
365,430	674,294	1,356,982	12,142,417

Hardin County
Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets
June 30, 2007

Exhibit D

Total governmental fund balances (page 15) **\$ 5,406,953**

*Amounts reported for governmental activities in the Statement of Net Assets
are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$38,384,688 and the accumulated depreciation is \$18,932,226. 19,452,462

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 194,356

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets. 803,448

Long-term liabilities, including bonds payable, compensated absences payable, accrued interest payable and drainage warrants/drainage improvement certificates payable are not due and payable in the current period and, therefore, are not reported in the funds. (5,604,230)

Net assets of governmental activities (page 11) **\$ 20,252,989**

Hardin County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2007

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 2,856,663	721,471	1,817,900	-
Interest and penalty on property tax	39,494	-	-	-
Intergovernmental	2,554,437	1,117,410	68,168	2,985,736
Licenses and permits	9,255	-	-	1,085
Charges for service	450,106	-	-	-
Use of money and property	315,995	-	-	-
Miscellaneous	38,625	1,928	-	71,137
Total revenues	6,264,575	1,840,809	1,886,068	3,057,958
Expenditures:				
Operating:				
Public safety and legal services	2,921,031	-	111,782	-
Physical health and social services	285,423	-	-	-
Mental health	-	1,875,028	-	-
County environment and education	541,456	-	244,518	-
Roads and transportation	-	-	100,346	3,932,217
Governmental services to residents	368,957	-	1,937	-
Administration	1,403,430	-	-	-
Non-program	54,456	-	2,541	-
Debt service	-	-	-	-
Capital projects	-	-	-	450,876
Total expenditures	5,574,753	1,875,028	461,124	4,383,093
Excess (deficiency) of revenues over (under) expenditures	689,822	(34,219)	1,424,944	(1,325,135)
Other financing sources (uses):				
Operating transfers in	-	-	-	1,418,500
Operating transfers out	(420,000)	-	(1,418,500)	-
Drainage warrant/drainage improvement certificates issued	-	-	-	-
Total other financing sources (uses)	(420,000)	-	(1,418,500)	1,418,500
Net change in fund balances	269,822	(34,219)	6,444	93,365
Fund balances beginning of year	1,753,538	213,780	634,191	549,632
Fund balances end of year	\$ 2,023,360	179,561	640,635	642,997

Debt Service	Capital Projects	Non-major Special Revenue	Total
55,004	173,054	187,060	5,811,152
-	-	-	39,494
2,991	1,990	14,135	6,744,867
-	-	-	10,340
-	-	4,591	454,697
-	-	48,736	364,731
-	-	30,333	142,023
57,995	175,044	284,855	13,567,304
-	-	-	3,032,813
-	-	-	285,423
-	-	-	1,875,028
-	-	16,173	802,147
-	-	-	4,032,563
-	-	-	370,894
-	-	-	1,403,430
-	-	21,545	78,542
427,894	-	157,695	585,589
-	127,203	21,081	599,160
427,894	127,203	216,494	13,065,589
(369,899)	47,841	68,361	501,715
420,000	-	49,000	1,887,500
(49,000)	-	-	(1,887,500)
-	-	11,468	11,468
371,000	-	60,468	11,468
1,101	47,841	128,829	513,183
356	603,008	1,139,265	4,893,770
1,457	650,849	1,268,094	5,406,953

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
Year Ended June 30, 2007

Net change in fund balances - Total governmental funds (page 18) \$ 513,183

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the useful life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year as follows:

Expenditures for capital assets	\$ 641,417	
Depreciation expense	<u>(1,310,696)</u>	(669,279)

Because some of the revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds as follows:

Property taxes		28,906
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayment is as follows:

Repaid		326,777
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(12,896)	
Interest on long-term debt	<u>2,933</u>	(9,963)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue of the Internal Service Fund is reported with the governmental activities.

182,036

Change in net assets of governmental activities (page 13)		<u><u>\$ 371,660</u></u>
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Hardin County
Statement of Net Assets
Proprietary Fund
June 30, 2007

Exhibit G

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 953,448
Liabilities	
Accounts payable	<u>150,000</u>
Net Assets	
Unrestricted	<u><u>\$ 803,448</u></u>

Hardin County
Statement of Revenues, Expenses and Changes
in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2007

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds	\$ 1,029,587	
Reimbursements from others	431,555	
Insurance reimbursements	36,837	
Total operating revenues		<u>1,497,979</u>
Operating expenses:		
Medical claims	\$ 1,012,589	
Insurance premiums	204,872	
Administrative fees	80,450	
Miscellaneous	26,755	
Operating income		<u>1,324,666</u> 173,313
Non-operating revenues:		
Interest income		<u>8,723</u>
Net income		182,036
Net assets beginning of year		<u>621,412</u>
Net assets end of year		<u><u>\$ 803,448</u></u>

Hardin County
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2007

Exhibit I

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,029,587
Cash received from others	468,392
Cash payments to suppliers for services	<u>(1,314,666)</u>
Net cash provided by operating activities	183,313
Cash flows from investing activities:	
Interest on investments	<u>8,723</u>
Net increase in cash and cash equivalents	192,036
Cash and cash equivalents at beginning of year	<u>761,412</u>
Cash and cash equivalents at end of year	<u><u>\$ 953,448</u></u>
Reconciliations of operating income to net cash provided by operating activities:	
Operating income	\$ 173,313
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	<u>10,000</u>
Net cash provided by operating activities	<u><u>\$ 183,313</u></u>

Hardin County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

Exhibit J

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,052,079
Other County officials	92,014
Receivables:	
Property tax:	
Delinquent	247,659
Succeeding year	15,352,324
Drainage	697
Accounts	44,914
Total assets	<u>16,789,687</u>

Liabilities

Accounts payable	24,604
Due to other governments	16,659,760
Trusts payable	99,531
Compensated absences	5,792
Total liabilities	<u>16,789,687</u>

Net Assets	<u><u>\$ -</u></u>
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Hardin County
Notes to Financial Statements
June 30, 2007

(1) Summary of Significant Accounting Policies

Hardin County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Hardin County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Hardin County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One hundred sixty-five drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Hardin County Board of Supervisors. These drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Hardin County Auditor's office. Fifty-three drainage districts are under the control of another county or a drainage board elected by the general population; thus, they are not included as blended component units, but are reported in the Agency Funds of the County.

Hardin County
Notes to Financial Statements
June 30, 2007

(1) **Summary of Significant Accounting Policies (continued)**

A. Reporting Entity (continued)

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Hardin County Assessor's Conference Board, Hardin County Joint E-911 Service Board and Hardin County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Heartland Risk Pool Insurance, Solid Waste Commission, County Case Management Services, Mid-Iowa Drug Task Force, Northeast Iowa Response Group, Region 6 Planning Commission and Central Iowa Juvenile Detention Center.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

Hardin County
Notes to Financial Statements
June 30, 2007

(1) **Summary of Significant Accounting Policies (continued)**

B. Basis of Presentation (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Hardin County
Notes to Financial Statements
June 30, 2007

(1) **Summary of Significant Accounting Policies (continued)**

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

Hardin County
Notes to Financial Statements
June 30, 2007

(1) **Summary of Significant Accounting Policies (continued)**

C. Measurement Focus and Basis of Accounting (continued)

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For the purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year.

Hardin County
Notes to Financial Statements
June 30, 2007

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessment Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same penalties and interest as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Hardin County
Notes to Financial Statements
June 30, 2007

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	30-50
Building improvements	20-50
Infrastructure	12-65
Equipment	5-10
Vehicles	5-10

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Hardin County
Notes to Financial Statements
June 30, 2007

(1) **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The net assets of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the mental health and roads and transportation functions and disbursements in certain departments exceeded the amounts appropriated.

(2) **Cash and Pooled Investments**

The County's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Hardin County
Notes to Financial Statements
June 30, 2007

(2) Cash and Pooled Investments (continued)

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,617 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk. The investment in Iowa Public Agency Investment Trust is unrated.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 1,418,500
Debt Service	General	420,000
Special Revenue: Carbo Tech TIF	Debt Service	9,800
Pine Lake Corn Processor TIF	Debt Service	<u>39,200</u>
Total		<u>\$ 1,887,500</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Hardin County
Notes to Financial Statements
June 30, 2007

(4) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of the covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$257,039, \$248,242 and \$228,263, respectively, equal to the required contributions for each year.

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 17,010
Special Revenue:		
Secondary Roads	Services	228
Mental Health	Services	234,182
		<u>234,410</u>
Total for governmental funds		<u>\$ 251,420</u>
Agency:		
County Assessor	Collections	241,579
Schools		9,792,330
Community Colleges		1,237,308
Corporations		4,109,263
Townships		313,811
Auto License and Use Tax		379,849
E-911 Surcharge		210,201
Empowerment		118,429
All other		256,990
Total for agency funds		<u>\$ 16,659,760</u>

Hardin County
Notes to Financial Statements
June 30, 2007

(6) Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 515,475	12,150	-	527,625
Construction in progress	1,411,942	297,761	1,411,942	297,761
Total capital assets not being depreciated	1,927,417	309,911	1,411,942	825,386
Capital assets being depreciated:				
Buildings and improvements	9,156,944	-	-	9,156,944
Equipment and vehicles	6,061,929	353,675	279,611	6,135,993
Infrastructure, road network	20,854,423	1,411,942	-	22,266,365
Total capital assets being depreciated	36,073,296	1,765,617	279,611	37,559,302
Less accumulated depreciation for:				
Buildings and improvements	1,751,847	203,204	-	1,955,051
Equipment and vehicles	3,711,035	451,033	257,442	3,904,626
Infrastructure, road network	12,416,090	656,459	-	13,072,549
Total accumulated depreciation	17,878,972	1,310,696	257,442	18,932,226
Total capital assets being depreciated, net	18,194,324	454,921	22,169	18,627,076
Governmental activities capital assets, net	\$ 20,121,741	764,832	1,434,111	19,452,462

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 159,793
Physical health and social services	2,499
Mental health	2,199
County environment and education	40,487
Roads and transportation	1,035,579
Governmental services to residents	29,403
Administration	40,736
Total depreciation expenses - governmental activities	\$ 1,310,696

Hardin County
Notes to Financial Statements
June 30, 2007

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	General Obligation Bonds	Compensated Absences	Drainage Warrants	Total
Balance beginning of year	\$ 5,550,000	307,029	12,519	5,869,548
Increases	-	25,314	3,223	28,537
Decreases	330,000	12,418	-	342,418
Balance end of year	\$ 5,220,000	319,925	15,742	5,555,667
Due within one year	\$ 350,000	319,925	-	669,925

Drainage Warrants/Drainage Improvement Certificates Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing those assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest, from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

Hardin County
Notes to Financial Statements
June 30, 2007

(7) Changes in Long-Term Liabilities (continued)

Bonds Payable

A summary of the County's June 30, 2007, general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	3.25 - 5.10%	\$ 370,000	199,233	569,233
2009	3.25 - 5.30	385,000	186,780	571,780
2010	3.38 - 5.40	390,000	173,790	563,790
2011	3.38 - 5.40	405,000	160,244	565,244
2012	3.38 - 5.40	425,000	145,975	570,975
2013	3.50 - 5.40	440,000	130,745	570,745
2014	3.60 - 5.40	450,000	114,455	564,455
2015	3.63 - 4.05	435,000	97,395	532,395
2016	3.75 - 4.10	455,000	81,265	536,265
2017	4.00 - 4.15	470,000	63,887	533,887
2018	4.00 - 4.25	440,000	44,952	484,952
2019	4.35	100,000	25,313	125,313
2020	4.45	105,000	20,963	125,963
2021	4.55	110,000	16,290	126,290
2022	4.65	115,000	11,285	126,285
2023	4.75	125,000	5,938	130,938
		<u>\$ 5,220,000</u>	<u>1,478,510</u>	<u>6,698,510</u>

During the year ended June 30, 2007, the County retired \$330,000 of bonds.

(8) Hardin County Employee Group Health Fund

The Hardin County Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Employee Group Services, Ltd. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$50,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Hardin County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Gallagher Benefits, Inc. from the Hardin County Employee Group Health Fund. The County records the plan assets and related liabilities of the Hardin County Health Insurance fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2007 was \$1,029,587.

Hardin County
Notes to Financial Statements
June 30, 2007

(8) Hardin County Employee Group Health Fund (continued)

Amounts payable from the Employee Group Health Fund at June 30, 2007 total \$150,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$803,448 at June 30, 2007 and is reported as a designation of the Employee Group Health Fund retained earnings. A liability has been established based on the requirements of Government Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at beginning of year	\$ 140,000
Incurred claims (including claims incurred but not reported as of June 30, 2007)	1,012,589
Payments on claims during the fiscal year	<u>1,002,589</u>
Unpaid claims at end of year	<u>\$ 150,000</u>

(9) Operating Leases

The County has entered into a lease for operating space used by Mental Health for operation of their clubhouse and a lease for a new postage machine through Pitney Bowes. The leases expire at April 30, 2009 and June 30, 2012, respectively. The following is a schedule by year of the total annual lease cost required under the operating leases.

Year Ending June 30,	Annual Rent Due
2008	\$ 22,680
2009	21,630
2010	16,380
2011	15,027
2012	<u>5,394</u>
	<u>\$ 81,111</u>

The total annual lease costs for the year ended June 30, 2007 were \$16,902.

Hardin County
Notes to Financial Statements
June 30, 2007

(10) Risk Management

Hardin County is a member in the Heartland Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Risk Pool (Pool) is a local government risk-sharing pool with ten counties as members. The Pool was formed July 1, 1987 for the purpose of managing and funding third-party liability claims against its members.

The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, law enforcement liability, property, inland marine and workers' compensation. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Any year end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2007, were \$355,547.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains automobile and general liability risks in excess of \$250,000 up to \$1,000,000 per claim. The Pool retains workers' compensation risks in excess of \$350,000 up to \$1,000,000 per claim. Automobile and general liability claims exceeding \$1,000,000 are reinsured in an amount not to exceed \$3,000,000 per claim. Workers' compensation claims exceeding \$1,000,000 are reinsured in an amount not to exceed \$2,000,000. Crime lines of business risks are retained by the Pool up to \$25,000 per occurrence. Automobile physical damage risks are retained by the Pool up to the replacement cost of the vehicle. All property, inland marine, boiler, public officials errors and omissions, business income and expense and law enforcement liability risks are also reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protections provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total member's equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Hardin County
Notes to Financial Statements
June 30, 2007

(10) Risk Management (continued)

Initial membership into the risk pool is for a mandatory three year period. Subsequent to the initial term, a member County may withdraw at the end of any given fiscal year. The initial membership period for Hardin County commenced July 1, 1987 and is subject to renewal every three years. The County also carries commercial insurance purchased from other insurers for coverage associated with property, inland marine, data processing, boiler/machinery, police professional and public officials' liability insurance programs. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Hardin County
 Budgetary Comparison Schedule of
 Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds
 Required Supplementary Information
 Year Ended June 30, 2007

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 5,806,803	-
Interest and penalty on property tax	39,467	-
Intergovernmental	6,591,758	-
Licenses and permits	11,598	-
Charges for service	459,631	-
Use of money and property	355,961	-
Miscellaneous	175,950	24,664
Total receipts	<u>13,441,168</u>	<u>24,664</u>
Disbursements:		
Public safety and legal services	2,982,725	-
Physical health and social services	286,309	-
Mental health	1,861,479	-
County environment and education	846,239	-
Roads and transportation	4,197,069	-
Governmental services to residents	374,053	-
Administration	1,393,818	-
Non-program	79,775	21,545
Debt service	585,591	-
Capital projects	591,637	-
Total disbursements	<u>13,198,695</u>	<u>21,545</u>
Excess (deficiency) of receipts over (under) disbursements	242,473	3,119
Other financing sources, net	<u>11,468</u>	<u>11,468</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	253,941	14,587
Balance beginning of year	<u>5,028,056</u>	<u>44,696</u>
Balance end of year	<u><u>\$ 5,281,997</u></u>	<u><u>59,283</u></u>

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
5,806,803	5,688,933	5,688,933	117,870
39,467	28,700	28,700	10,767
6,591,758	6,625,580	6,968,138	(376,380)
11,598	7,475	7,475	4,123
459,631	411,950	412,840	46,791
355,961	156,975	226,975	128,986
151,286	89,000	96,483	54,803
13,416,504	13,008,613	13,429,544	(13,040)

2,982,725	2,999,622	3,011,623	28,898
286,309	333,062	343,392	57,083
1,861,479	1,890,294	1,952,050	90,571
846,239	762,659	946,791	100,552
4,197,069	4,009,191	4,271,191	74,122
374,053	387,512	387,712	13,659
1,393,818	1,357,158	1,513,240	119,422
58,230	95,280	150,613	92,383
585,591	585,113	585,613	22
591,637	897,100	708,800	117,163
13,177,150	13,316,991	13,871,025	693,875

239,354	(308,378)	(441,481)	680,835
-	-	-	-

239,354	(308,378)	(441,481)	680,835
4,983,360	5,214,707	5,214,707	(231,347)
5,222,714	4,906,329	4,773,226	449,488

Hardin County
 Budgetary Comparison Schedule -
 Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 13,441,168	126,136	13,567,304
Expenditures	13,198,695	(133,106)	13,065,589
Net	242,473	259,242	501,715
Other financing sources	11,468	-	11,468
Beginning fund balances	5,028,056	(134,286)	4,893,770
Ending fund balances	\$ 5,281,997	124,956	5,406,953

Hardin County
Notes to Required Supplementary Information-
Budgetary Reporting
June 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$540,034. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the mental health and roads and transportation functions and disbursements in certain departments exceeded the amounts appropriated.

Hardin County
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2007

	Resource Enhancement and Protection	TIF Bond Payment	TIF Repayment	Pine Lake Corn Processors TIF	Carbo Tech TIF
Assets					
Cash and pooled investments	\$ 39,283	2	6,224	69,196	26,735
Receivables:					
Accrued interest	-	-	-	-	-
Drainage assessments	-	-	-	-	-
Total assets	\$ 39,283	2	6,224	69,196	26,735
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund Balances:					
Fund balances:					
Reserved for drainage warrants/drainage improvement certificates	-	-	-	-	-
Unreserved	39,283	2	6,224	69,196	26,735
Total fund balances	39,283	2	6,224	69,196	26,735
Total liabilities and fund balances	\$ 39,283	2	6,224	69,196	26,735

State Forfeiture Fund	County Recorder's Records Management	County Recorder's Electronic Transactions	Drainage Districts	Hardin County Conservation Reserve Trust	Conservation Land Acquisition Trust	Total
519	37,367	2	59,283	1,017,054	1,979	1,257,644
-	-	-	-	15,093	-	15,093
-	-	-	84,245	-	-	84,245
519	37,367	2	143,528	1,032,147	1,979	1,356,982
-	-	-	-	4,643	-	4,643
-	-	-	84,245	-	-	84,245
-	-	-	84,245	4,643	-	88,888
-	-	-	59,283	-	-	59,283
519	37,367	2	-	1,027,504	1,979	1,208,811
519	37,367	2	59,283	1,027,504	1,979	1,268,094
519	37,367	2	143,528	1,032,147	1,979	1,356,982

Hardin County
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2007

	Resource Enhancement and Protection	TIF Bond Payment	TIF Repayment	Pine Lake Corn Processors TIF
Revenues:				
Property and other county tax	\$ -	-	-	146,465
Intergovernmental	14,135	-	-	-
Charges for service	-	-	-	-
Use of money and property	793	-	-	-
Miscellaneous	-	-	-	-
Total revenues	14,928	-	-	146,465
Expenditures:				
Operating:				
Maintenance and operations	4,410	-	-	-
Recreation and environmental education	-	-	-	-
Non-program	-	-	-	-
Debt service	-	-	-	126,175
Capital projects	-	-	-	-
Total expenditures	4,410	-	-	126,175
Excess of revenues over expenditures	10,518	-	-	20,290
Other financing sources:				
Operating transfers in:				
Debt service	-	-	-	39,200
Proceeds from drainage warrants/drainage improvement certificates	-	-	-	-
Total other financing sources	-	-	-	39,200
Excess of revenues and other financing sources over expenditures	10,518	-	-	59,490
Fund balances beginning of year	28,765	2	6,224	9,706
Fund balances end of year	\$ 39,283	2	6,224	69,196

Carbo Tech TIF	State Forfeiture Fund	County Recorder's Records Management	County Recorder's Electronic Transactions	Drainage Districts	Hardin County Conservation Reserve Trust	Conservation Land Acquisition Trust	Total
40,595	-	-	-	-	-	-	187,060
-	-	-	-	-	-	-	14,135
-	-	4,271	-	-	320	-	4,591
-	-	757	-	-	47,186	-	48,736
-	-	-	-	24,664	5,669	-	30,333
40,595	-	5,028	-	24,664	53,175	-	284,855
-	-	-	-	-	-	-	4,410
-	-	-	-	-	11,763	-	11,763
-	-	-	-	21,545	-	-	21,545
31,520	-	-	-	-	-	-	157,695
-	-	-	-	-	21,081	-	21,081
31,520	-	-	-	21,545	32,844	-	216,494
9,075	-	5,028	-	3,119	20,331	-	68,361
9,800	-	-	-	-	-	-	49,000
-	-	-	-	11,468	-	-	11,468
9,800	-	-	-	11,468	-	-	60,468
18,875	-	5,028	-	14,587	20,331	-	128,829
7,860	519	32,339	2	44,696	1,007,173	1,979	1,139,265
26,735	519	37,367	2	59,283	1,027,504	1,979	1,268,094

Hardin County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,410	67,683	133,177	9,087
Other County officials	92,014	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,612	1,699	87,495	12,412
Succeeding year	-	176,972	186,577	9,571,658	1,215,809
Drainage	-	-	-	-	-
Accounts	1,111	-	-	-	-
Total assets	\$ 93,125	180,994	255,959	9,792,330	1,237,308
Liabilities					
Accounts payable	-	-	10,200	-	-
Due to other governments	14,693	180,994	241,579	9,792,330	1,237,308
Trusts payable	78,432	-	-	-	-
Compensated absences	-	-	4,180	-	-
Total liabilities	\$ 93,125	180,994	255,959	9,792,330	1,237,308

Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax	Empowerment	Local Emergency Management Services
76,004	3,968	36	2,868	379,849	123,323	21,783
-	-	-	-	-	-	-
142,582	1,838	21	-	-	-	-
3,890,677	308,005	2,626	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,109,263	313,811	2,683	2,868	379,849	123,323	21,783
-	-	-	-	-	4,894	5,059
4,109,263	313,811	2,683	2,868	379,849	118,429	15,112
-	-	-	-	-	-	-
-	-	-	-	-	-	1,612
4,109,263	313,811	2,683	2,868	379,849	123,323	21,783

Hardin County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds (Continued)
June 30, 2007

	E-911 Surcharge	Third Party Payees	Drainage Districts	Other	Total
Assets					
Cash and pooled investments:					
County Treasurer	\$ 170,849	15,661	17,043	28,338	1,052,079
Other County officials	-	-	-	-	92,014
Receivables:					
Property tax:					
Delinquent	-	-	-	-	247,659
Succeeding year	-	-	-	-	15,352,324
Drainage	-	-	697	-	697
Accounts	43,803	-	-	-	44,914
Total assets	\$ 214,652	15,661	17,740	28,338	16,789,687
Liabilities					
Accounts payable	\$ 4,451	-	-	-	24,604
Due to other governments	210,201	-	17,740	22,900	16,659,760
Trusts payable	-	15,661	-	5,438	99,531
Compensated absences	-	-	-	-	5,792
Total liabilities	\$ 214,652	15,661	17,740	28,338	16,789,687

Hardin County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 102,649	174,519	241,182	9,649,247	646,554
Additions:					
Property and other county tax	-	168,756	176,983	9,128,382	1,209,353
E-911 surcharge	-	-	-	-	-
State tax credits	-	9,432	11,012	519,776	35,270
Grants	-	-	-	-	-
Interest	233	-	-	-	-
Office fees and collections	2,370,168	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	676,075	-	-	-	-
Miscellaneous	-	-	4,025	-	-
Total additions	3,046,476	178,188	192,020	9,648,158	1,244,623
Deductions:					
Agency remittances:					
To other funds	2,210,248	-	-	-	-
To other governments	199,793	171,713	177,243	9,505,075	653,869
Trusts paid out	645,959	-	-	-	-
Total deductions	3,056,000	171,713	177,243	9,505,075	653,869
Balances end of year	\$ 93,125	180,994	255,959	9,792,330	1,237,308

Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax	Drivers License	Empower- ment
3,973,344	302,098	2,554	18,931	333,666	-	56,479
5,585,296	293,506	2,584	-	-	-	-
-	-	-	-	-	-	-
274,411	15,193	143	-	-	-	-
-	-	-	-	-	-	334,443
-	-	-	-	-	-	4,565
-	-	-	-	-	-	-
-	-	-	-	4,505,810	-	-
-	-	-	-	-	29,604	-
-	-	-	19,029	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
5,859,707	308,699	2,727	19,029	4,505,810	29,604	339,008
-	-	-	-	131,580	22,750	-
5,723,788	296,986	2,598	35,092	4,328,047	6,854	272,164
-	-	-	-	-	-	-
5,723,788	296,986	2,598	35,092	4,459,627	29,604	272,164
4,109,263	313,811	2,683	2,868	379,849	-	123,323

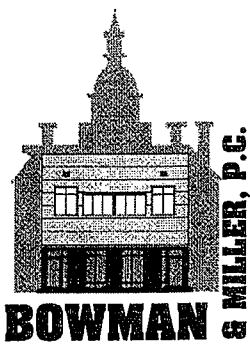
Hardin County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds (Continued)
Year Ended June 30, 2007

	Local			Tax Sale	Third
	Emergency	E-911		Redemption	Party
	Management	Surcharge	E-911	Non-County	Payees
	Services				
Assets and Liabilities					
Balances beginning of year	\$ 16,376	111,057	15,772	-	15,216
Additions:					
Property and other county tax	-	-	-	-	-
E-911 surcharge	-	110,137	-	-	-
State tax credits	-	-	-	-	-
Grants	16,709	35,601	-	-	-
Interest	-	4,200	-	-	-
Office fees and collections	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	-	307,149	105,789
Miscellaneous	67,834	16,836	-	-	-
Total additions	84,543	166,774	-	307,149	105,789
Deductions:					
Agency remittances:					
To other funds	-	-	-	-	-
To other governments	79,136	63,179	15,772	307,149	-
Trusts paid out	-	-	-	-	105,344
Total deductions	79,136	63,179	15,772	307,149	105,344
Balances end of year	\$ 21,783	214,652	-	-	15,661

Drainage Districts	Other	Total
14,673	30,116	15,704,433
-	-	16,564,860
-	-	110,137
-	-	865,237
-	-	386,753
-	-	8,998
-	-	2,370,168
-	-	4,505,810
-	-	29,604
8,693	-	27,722
-	26,274	1,115,287
-	5,135	93,830
8,693	31,409	26,078,406
-	-	2,364,578
5,626	33,187	21,877,271
-	-	751,303
5,626	33,187	24,993,152
17,740	28,338	16,789,687

Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds
For the Last Four Years

Modified Accrual Basis				
	2007	2006	2005	2004
Revenues:				
Property and other county tax	\$ 5,811,152	5,210,970	4,472,523	5,029,708
Interest and penalty on property tax	39,494	38,510	38,758	41,442
Intergovernmental	6,744,867	6,900,497	5,625,385	5,580,865
Licenses and permits	10,340	8,167	7,212	4,203
Charges for service	454,697	487,803	424,210	455,355
Use of money and property	364,731	245,267	153,148	167,378
Miscellaneous	142,023	191,215	160,412	221,207
Total	\$ 13,567,304	13,082,429	10,881,648	11,500,158
Expenditures:				
Operating:				
Public safety and legal services	3,032,813	2,885,183	2,613,136	2,610,147
Physical health and social services	285,423	285,407	287,207	279,862
Mental health	1,875,028	1,804,829	1,726,207	1,597,490
County environment and education	802,147	1,341,057	656,683	704,672
Roads and transportation	4,032,563	4,666,208	4,526,263	4,008,562
Governmental services to residents	370,894	382,062	308,862	305,226
Administration	1,403,430	1,201,490	1,079,749	1,065,655
Non-program	78,542	201,437	226,005	1,746,781
Debt service	585,589	521,988	430,939	434,295
Capital projects	599,160	137,082	57,300	83,579
Total	\$ 13,065,589	13,426,743	11,912,351	12,836,269



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Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Officials of Hardin County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hardin County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated December 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hardin County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Hardin County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hardin County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Hardin County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Hardin County's financial statements that is more than inconsequential will not be prevented or detected by Hardin County's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Hardin County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hardin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Hardin County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Hardin County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hardin County and other parties to whom Hardin County may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Hardin County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

December 12, 2007

Hardin County
Schedule of Findings
Year Ended June 30, 2007

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Hardin County
Schedule of Findings
Year Ended June 30, 2007

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-07 Segregation of Duties - During our review of the internal control structure, the existing control procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.

Applicable
Offices

Recorder

(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.

Recorder

(3) Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve vouchers for payment.

Recorder

Recommendation - We realize that with a limited number of office employees segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Hardin County
Schedule of Findings
Year Ended June 30, 2007

Part II: Findings Related to the Financial Statements:

Response – Currently there are only two employees in the Recorder's Office: the Recorder and the Deputy Recorder. The following are the adjustments and/or changes made since January 2, 2007.

- (1) Incoming mail is opened by the Deputy Recorder. It is sorted into three areas; recordings, boats/snows/ATVs and vital records. There is no accounting made at this time for cash and checks received. Recordings are passed on to the Recorder; the Deputy keeps the boats/snows/ATVs and vital records. All monies are processed through the cash register daily, either at the end of the day (recording fees and transfer taxes); or during the course of the day (boats/snows/ATVs, certified copies, Xerox copies, plat books, passports, etc.).

In conjunction with all money being processed through the cash register, the office now does a daily deposit. One "Fee Report" is done at the end of the day; a second "Fee Report" is done the next morning, at the time the daily deposit is prepared. Typically the Recorder prepares the daily deposit. If the reports and the deposits do not match the Recorder proceeds to locate the discrepancy and if necessary the Deputy "double checks" all monies and the fee report.

- (2) The Recorder is responsible for reconciling the bank account. The Recorder also handles cash, though the recording fees are most typically paid by check or charge-to-account.
- (3) This has not been resolved, and is nearly impossible with only two employees in the office. Typically fewer than six checks per month are written off of the Recorder's account.

Through a budget addition for 2008-2009, the process of adding one part-time person has begun. A position "sharing" between our office and another may be feasible. Until this is accomplished, the checks and balances established are the best I can do at this point.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the mental health and roads and transportation service areas. Disbursements in certain departments exceeded the amount appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Hardin County
Schedule of Findings
Year Ended June 30, 2007

Part III: Other Findings Related to Required Statutory Reporting (continued):

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – The budget amendment was published in error and need to be re-published. Due to compliance with the timing of the publications the budgets were exceeded before the budget amendment was approved. We will monitor this in the future.

Conclusion – Response accepted.

- III-B-07 Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-07 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- III-D-07 Business Transactions – No business transactions between the County and County officials or employees were noted.
- III-E-07 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.
- III-F-07 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-G-07 Deposits and Pooled Investments – We noted no instances of non-compliance with the deposits and pooled investments provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policies.
- III-H-07 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- III-I-07 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2007 for the County Extension Office did not exceed the amount budgeted.

Hardin County
Audit Staff

This audit was performed by:

Bowman and Miller, P.C.
Certified Public Accountants
Marshalltown, Iowa

Personnel:

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